



State of Rhode Island and Providence Plantations

Revenue Estimating Conference

Room 117, STATE HOUSE, PROVIDENCE, RI 02903

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MEMORANDUM

To: The Honorable Lincoln C. Almond, Governor
The Honorable John B. Harwood, Speaker of the House
The Honorable Paul S. Kelly, Senate Majority Leader

From: Russell C. Dannecker, Senate Fiscal Advisor *R.C. Dannecker*
Michael F. O'Keefe, House Fiscal Advisor *Michael O'Keefe*
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Date: November 29, 1999

Subject: November 1999 Revenue Estimating Conference

The Revenue Estimating Conference (REC) met on 1, 2, 10, 12, 15 and 16 November 1999 in open public meetings. The conferences issued a revised estimate for FY2000 and FY2001 revenues. They are shown on the attached tables. Adopted estimates reflect current projections for the Rhode Island Economy. The projections were presented by Robert Langlais, Assistant Director Labor Market Information Unit, Department of Labor and Training; Rachael Chioino, Regional Economist, New England for Standard & Poor's DRI; and Steven G. Cochrane, Director, Regional Financial Associates. Leonard Lardaro, Rhode Island Forecast Manager, New England Economic Project was invited to attend, but chose not to testify.

RHODE ISLAND ECONOMIC FORECAST

Department of Labor and Training

For the most part the Rhode Island economy continues to perform well. And even though we are not performing as well as the rest of New England, our 3.8% unemployment rate for the first six months of the year essentially put us at what is considered full employment.

Standard & Poor's DRI

After seven years of recovery, Rhode Island's employment will reach its 1989 peak by year's end. Rhode Island's payroll employment gains will slow in line with the nation's. Financial Services will remain a job growth leader through 2002.

Regional Financial Associates

Led by solid expansion in construction and financial services, Rhode Island is growing at a moderate pace. Although job growth is slow when compared to the U.S. average, other indicators are pointing to a fundamentally healthy economy. In particular, the jobless rate is low, income growth is high, and construction activity is strong. In addition, Rhode Island continues to benefit from its proximity to the high-flying Boston metro area. Longer term, however, Rhode Island will continue to be hampered by below average demographic trends. Rhode Island's population will grow at best slowly, keeping labor supply growth muted, thus limiting any possibility of sustainable rapid growth. Rhode Island is therefore expected to experience below average growth over the forecast horizon.

Consensus Forecast

The following consensus Economic Forecast for Rhode Island was adopted.

<i>The Consensus Economic Forecast</i>			
<i>Adopted November, 1999</i>	<i>Revenue Estimating Conference</i>		
	<i>FY1999</i>	<i>FY2000</i>	<i>FY2001</i>
Total Employment (in thousands)	461.1	467.0	473.0
<i>Annual Percentage Change</i>	1.6%	1.3%	1.3%
Total Personal Income (in billions)	27.3	28.6	29.9
<i>Annual Percentage Change</i>	5.4%	4.8%	4.5%
Consumer Price Index - United States			
<i>Fiscal Year Annual Percentage Change</i>	1.7%	2.4%	2.1%
<i>Calendar Year Annual Percentage Change (For Motor Vehicle Excise Tax)</i>	2.2%	2.5%	2.1%

FY2000 -- REVENUES

Budget As Enacted compared to the November Conference Estimate

When compared to the Budget as Enacted, the revised FY2000 revenue estimate of \$2,194.4 million increased available resources by \$22.6 million. The enacted FY2000 Revenue Estimate was \$2,171.8 million. The total estimate of *Taxes* increased by \$14.6 million from the enacted level. The Sales & Use Tax estimate has been increased by \$14.5 million. This revision is predicated on a favorable collection history for the last four months. The projected growth rate for the Sales & Use Tax is now 7.6% compared to the enacted 5.0%. There were three notable changes in the estimates for the Business Corporations, Public Utilities Gross Earnings, and Motor Vehicle taxes that are estimated to increase by \$3.7 million, \$2.8 million, and \$1.7 million respectively. These gains were offset by changes in the estimates for the Financial Institutions, Insurance Companies, and Cigarettes taxes that were reduced by \$3.0 million, \$2.0 million, and \$1.8 million respectively. The estimate for the largest single source of revenue, the Personal Income Tax was decreased from \$787.5 to \$786.7, a change of only \$800,000. Considering collection history, to date the total estimate of *Departmental Revenues* increased by \$7.3 million from the enacted level. The total estimate of *Other Sources* increased by \$0.7 million from the enacted level. This was primarily due to a \$3.6 million increase in the Lottery estimate offset by a reduction of the Tobacco Litigation Settlement estimate of \$4.3 million. Based upon these changes the revised growth rate in general revenue, when compared to FY1999, from all sources increased from 5.9% to 7.0%.

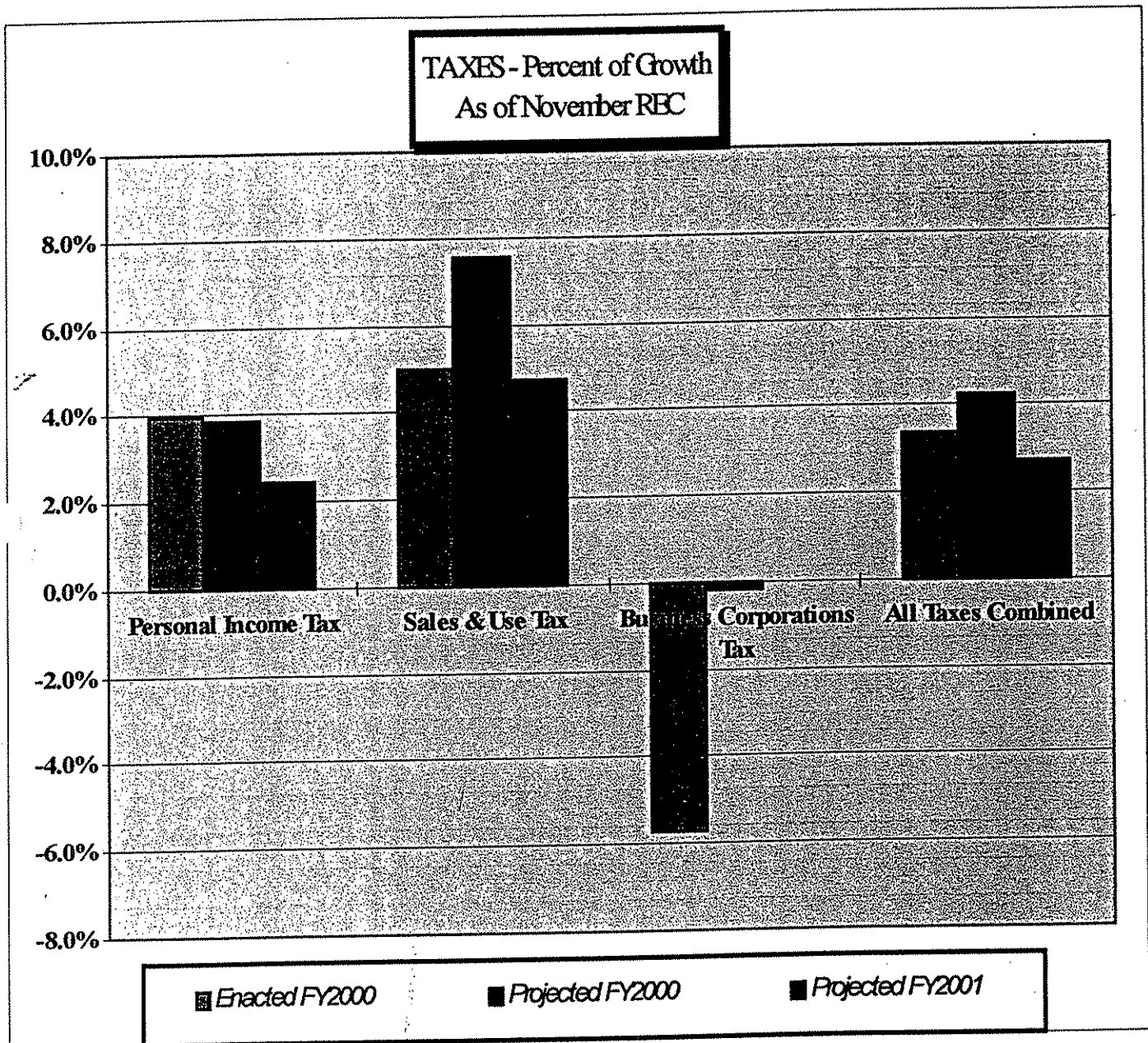
FY2000 Compared to FY2001

FY2000 November Conference Estimate compared to FY2001 November Conference Estimate

When compared to the FY2000 November Conference Estimate the FY2001 revenue estimate of \$2,232.9 million indicates that available resources will increase by \$38.5 million. The total estimate of *Taxes* increased by \$47.1 million from the FY2000 consensus level. The Personal Income Tax estimate will increase \$19.4 million calculated by using the FY2000 estimate and an overall growth rate, including the rate reduction, of 2.5%. This is less than the projected growth rate of 3.8% for FY2000. The Sales & Use Tax is projected to increase \$28.6 million over the FY2000 consensus level. This is a 4.7% rate of growth compared to 7.6% growth rate in FY2000. The total estimate of *Departmental Revenues* decreases by \$41.4 million from the FY2000 consensus level. This reflects the expiration of the Hospital Licensing Fee of \$37.4 million. The total estimate of *Other Sources* increases by \$32.8 million from the FY2000 consensus level. \$16.0 million of this increase is in Lottery proceeds and \$23.6 million in Other Miscellaneous Revenues. A \$47.0 million transfer causes the Other Miscellaneous increase from DEPCO based on the completion of the agency's bond defeasance in FY2001. This is offset by the elimination of the one time \$6.0 million in Employee Medical Settlement, and \$14.3 million less in Tobacco Settlement dollars.

ATTACHMENTS & NEXT MEETING

Attached you will find two charts and below one graph that details the changes noted in the narrative above. The next required meeting of the conference is currently scheduled for May 2000.



REVENUE COMPARISONS - FY2000					
TABLE REC #1	Enacted	Conference	Conference	Growth	Growth
REC Report	June	November	November	Rate	Rate
29-Nov-99	Estimate	Estimate	Ya Enacted	to Enacted	FY99 to
GENERAL REVENUES	FY2000	FY2000	FY2000	FY00	Con. Nov.
TAXES					FY00
Personnel Income Tax	\$787,500,000	\$786,700,000	(\$800,000)	3.9%	3.8%
GENERAL BUSINESS TAXES:					
Business Corporations	\$63,300,000	\$67,000,000	\$3,700,000	-5.7%	-0.2%
Franchise	\$7,900,000	\$7,900,000	\$0	0.0%	0.0%
Public Utilities Gross Earnings	\$63,500,000	\$66,300,000	\$2,800,000	-4.3%	-0.1%
Financial Institutions	\$7,000,000	\$4,000,000	(\$3,000,000)	-1018.0%	-624.6%
Insurance Companies	\$35,500,000	\$33,500,000	(\$2,000,000)	12.2%	5.8%
Bank Deposits	\$700,000	\$900,000	\$200,000	-214.3%	-246.9%
Health Care Provider Assessments	\$24,900,000	\$25,100,000	\$200,000	3.9%	4.7%
SALES AND USE TAXES:					
Sales and Use	\$593,500,000	\$608,000,000	\$14,500,000	5.0%	7.6%
Motor Vehicle	\$41,800,000	\$43,500,000	\$1,700,000	-0.5%	3.6%
Motor Fuel	\$850,000	\$675,000	(\$175,000)	-0.7%	-21.2%
Cigarettes	\$59,800,000	\$58,000,000	(\$1,800,000)	-2.9%	-5.8%
Alcohol	\$9,000,000	\$9,000,000	\$0	-0.3%	-0.3%
Marijuana Controlled Substances	\$0	\$0	\$0	#DIV/0!	#DIV/0!
OTHER TAXES:					
Inheritance and Gift	\$30,000,000	\$30,000,000	\$0	-17.4%	-17.4%
Racing & Athletics Tax	\$5,900,000	\$5,200,000	(\$700,000)	1.6%	-10.4%
Realty Transfer	\$2,100,000	\$2,100,000	\$0	-18.8%	-18.8%
TOTAL - Taxes	\$1,733,250,000	\$1,747,875,000	\$14,625,000	3.4%	4.2%
DEPARTMENTAL REVENUE					
Licenses and Fees	\$97,792,254	\$102,600,000	\$4,807,746	-5.3%	-0.6%
Fines and Penalties	\$29,000,000	\$29,600,000	\$600,000	4.9%	7.1%
Sales and Services - Total	\$32,500,000	\$34,000,000	\$1,500,000	1.1%	5.8%
Miscellaneous	\$37,665,712	\$36,000,000	\$378,384	-5.4%	-4.4%
TOTAL - Departmental Revenues	\$200,696,373	\$202,200,000	\$7,286,130	-2.9%	0.7%
TOTAL - GENERAL REVENUE	\$1,877,331,444	\$1,950,075,000	\$21,911,130	2.7%	3.9%
OTHER SOURCES					
Gas Tax Transfers	\$20,041,618	\$16,450,000	\$315,000	-19.5%	-17.9%
Other Miscellaneous	\$15,891,757	\$73,901,575	(\$2,735,837)	382.2%	365.0%
Lottery	\$133,475,047	\$150,000,000	\$3,600,000	9.7%	12.4%
Unclaimed Property	\$4,488,559	\$4,000,000	(\$500,000)	0.3%	-10.9%
TOTAL - Other Sources	\$173,896,981	\$244,351,575	\$679,163	40.1%	40.5%
TOTAL - RESOURCES AVAILABLE	\$2,051,228,425	\$2,194,426,575	\$22,590,293	5.9%	7.0%

REVENUE COMPARISONS - FY2001				Conference November Estimate FY2001	Conference November Estimate FY2000	Conf. FY2000 Vs Conf. FY2001 November	Growth Rate FY1999 to Conference Nov. FY2000	Growth Rate Conf. Nov. FY00 to Conf. Nov. FY01
TABLE REC #2	RBC Report	29-Nov-99	GENERAL REVENUES					
TAXES								
Personnel Income Tax				\$806,100,000	\$786,700,000	\$19,400,000	3.8%	2.5%
GENERAL BUSINESS TAXES:								
Business Corporations				\$67,000,000	\$67,000,000	\$0	-0.2%	0.0%
Franchise				\$7,900,000	\$7,900,000	\$0	0.0%	0.0%
Public Utilities Gross Earnings				\$66,300,000	\$66,300,000	\$0	-0.1%	0.0%
Financial Institutions				\$4,000,000	\$4,000,000	\$0	-624.6%	0.0%
Insurance Companies				\$33,500,000	\$33,500,000	\$0	5.8%	0.0%
Bank Deposits				\$900,000	\$900,000	\$0	-246.9%	0.0%
Health Care Provider Assessments				\$25,100,000	\$25,100,000	\$0	4.7%	0.0%
SALES AND USE TAXES:								
Sales and Use				\$636,600,000	\$608,000,000	\$28,600,000	7.6%	4.7%
Motor Vehicle				\$43,800,000	\$43,800,000	\$300,000	3.6%	0.7%
Gasoline				\$675,000	\$675,000	\$0	-21.2%	0.0%
Cigarettes				\$56,800,000	\$58,000,000	(\$1,200,000)	-5.8%	-2.1%
Alcohol				\$9,000,000	\$9,000,000	\$0	-0.3%	0.0%
Marijuana Controlled Substances				\$0	\$0	\$0	#DIV/0!	#DIV/0!
OTHER TAXES:								
Inheritance and Gift				\$30,000,000	\$30,000,000	\$0	-17.4%	0.0%
Racing & Athletics Tax				\$5,200,000	\$5,200,000	\$0	-10.4%	0.0%
Realty Transfer				\$2,100,000	\$2,100,000	\$0	-18.8%	0.0%
TOTAL - Taxes				\$1,794,975,000	\$1,747,875,000	\$47,100,000	4.2%	2.7%
DEPARTMENTAL REVENUE								
Licenses and Fees				\$62,000,000	\$102,600,000	(\$40,600,000)	-0.6%	-39.6%
Fines and Penalties				\$29,600,000	\$29,600,000	\$0	7.1%	0.0%
Sales and Services - Total				\$34,200,000	\$34,200,000	\$200,000	5.8%	0.6%
Miscellaneous				\$35,000,000	\$36,000,000	(\$1,000,000)	-4.4%	-2.8%
TOTAL - Departmental Revenues				\$160,800,000	\$202,200,000	(\$41,400,000)	0.7%	-20.5%
TOTAL - GENERAL REVENUE				\$1,955,775,000	\$1,950,075,000	\$5,700,000	3.9%	0.3%
OTHER SOURCES								
Gas Tax Transfers				\$9,600,000	\$16,450,000	(\$6,850,000)	-17.9%	-41.6%
Other Miscellaneous				\$97,540,667	\$73,901,575	\$23,639,092	365.0%	32.0%
Lottery				\$166,000,000	\$150,000,000	\$16,000,000	12.4%	10.7%
Unclaimed Property				\$4,000,000	\$4,000,000	\$0	-10.9%	0.0%
TOTAL- Other Sources				\$277,140,667	\$244,351,575	\$32,789,092	40.5%	13.4%
TOTAL- RESOURCES AVAILABLE				\$2,232,915,667	\$2,194,426,575	\$38,489,092	7.0%	1.8%